

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Convis
Calhoun County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2006

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Township of Convis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is intended as a narrative overview of the Township of Convis, Michigan's operations over the fiscal year and its financial condition on March 31, 2006.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased \$131 thousand (4 percent) as a result of this year's operations.
- Of the \$3.4 million total net assets reported, \$2.3 million is available to be used to meet future operating and capital improvement needs.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1.4 million, which represents 408 percent of the actual total General Fund expenditures for the fiscal year.

Overview of the financial statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are presented to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements. The governmental funds statements tell how general government services like public works and public safety were financed in the short term as well as what remains for future spending.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets and the statement of activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets - the difference between the Township's assets and liabilities - is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional nonfinancial factors such as the condition of the Township's roads and capital assets.

The government-wide financial statements of the Township present one category of activities: *governmental activities*. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). The Township funds these activities primarily through landfill fees and intergovernmental revenues.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. The Township Board has established two funds to control and manage money for particular purposes (emergency services and landfill post-closing costs).

The Township has two kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship between them.
- **Fiduciary funds.** These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Township's fiduciary balances are reported in separate Statement of Fiduciary Net Assets - Fiduciary Funds. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Assets. Total net assets at the end of the fiscal year were \$3.4 million, an increase of 4% from the prior year. However, \$1.1 million of this total is invested in capital assets; consequently, unrestricted net assets were \$2.3 million, 67% of the total.

Township of Convis
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed financial information
Net assets (in thousands)

	<u>Governmental activities</u> <u>2006</u>
Current assets	\$ 2,286.0
Capital assets	<u>1,100.3</u>
Total assets	<u>3,386.3</u>
Current liabilities	<u>12.9</u>
Net assets:	
Invested in capital assets	1,100.3
Unrestricted	<u>2,273.1</u>
Total net assets	<u>\$ 3,373.4</u>

Changes in net assets. The Township's total revenues are \$508 thousand. Approximately 62% of the Township's revenues come from landfill fees, and 22% is received as state revenue sharing. About 11% of total revenues come from investment income.

Condensed financial information
Changes in net assets (in thousands)

	<u>Governmental activities</u> <u>2006</u>
Program revenues:	
Charges for services	\$ 12.1
Operating grants	3.2
General revenues:	
Landfill impact fees	315.4
State grants	113.9
Investment income	<u>59.7</u>
Total revenues	<u>504.3</u>
Expenses:	
Legislative	2.2
General government	237.9
Public safety	91.3
Public works	21.8
Community and economic development	9.6
Culture and recreation	<u>11.0</u>
Total expenses	<u>373.8</u>
Increase in net assets	<u>\$ 130.5</u>

Township of Convis
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities

Governmental activities increased the Township's net assets by \$131 thousand in 2006. The cost of all governmental activities this year was \$374 thousand. After subtracting the direct charges to those who directly benefited from the programs (\$12 thousand), and other operating and capital grants (\$3 thousand), the "public benefit" portion covered by taxes, state revenue sharing and other general revenues was \$359 thousand.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

At March 31, 2006, the Township's governmental funds reported a combined fund balance of \$2.2 million, approximately \$156 thousand more than last year.

Expenditures in the General Fund for 2006 exceeded revenues by \$123 thousand. Operating transfers from the General Fund for 2006 were \$100 thousand.

The fund balances in both the Emergency Services and Host Community Funds increased this year by \$7 thousand and \$26 thousand, respectively. There were no expenditures made from either fund in 2006. The Emergency Services Fund received an operating transfer from the General Fund of \$100 thousand. The transfer was made to accumulate financial resources for future public safety needs. The fund balances in the Emergency Services Fund and the Host Community Fund at the end of 2006 were \$529 thousand and \$274 thousand, respectively.

General Fund budgetary highlights

The Township amended the General Fund budget to adjust line items within activities. None of the amendments were significant.

Revenues, principally state grants and charges for services, were a net \$19 thousand more than budgeted. General Fund expenditures were \$933 thousand less than the amounts appropriated, which resulted in a \$914 positive budget variance and a \$23 thousand increase in fund balance, compared to a budgeted \$929 thousand decrease of fund balance. There were no negative variances in any of the General Fund activities.

Capital assets

At March 31, 2006, the Township had invested \$1.1 million in various capital assets, including its land, building, and equipment. There were no significant capital asset additions in the current year.

Economic condition and outlook

More than \$1.4 is available for appropriation in the General Fund. The Township has not added major new programs or initiatives to the 2007 budget. The budget will be monitored during the year to identify any necessary amendments.

Township of Convis
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Contacting the Township's financial management

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors, and to demonstrate the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to:

Township of Convis
Supervisor's Office
19500 15 Mile Road
Marshall, MI 49068

Phone: (269) 789-0654

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Convis, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Convis, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Township of Convis, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Township of Convis, Michigan, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information on pages i through vi and 15 through 18, respectively, are not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the management's discussion and analysis is not in conformity with guidelines established by the Governmental Accounting Standards Board, because prior year condensed financial information is not presented.

Siegfried Crandall P.C.

May 31, 2006

BASIC FINANCIAL STATEMENTS

Township of Convis
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,783,532
Investments	399,587
Receivables, net	90,774
Prepaid expenses	<u>12,200</u>
Total current assets	<u>2,286,093</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>1,100,316</u>
Total assets	<u>3,386,409</u>
LIABILITIES	
Current liabilities - payables	<u>12,941</u>
NET ASSETS	
Invested in capital assets	1,100,316
Unrestricted	<u>2,273,152</u>
Total net assets	<u><u>\$ 3,373,468</u></u>

See notes to financial statements

Township of Convis
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Program revenues</u>			Net (expenses) revenues and changes in net assets
Functions/Programs	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Governmental activities:				
Legislative	\$ 2,200	\$ -	\$ -	\$ (2,200)
General government	237,890	11,221	-	(226,669)
Public safety	91,273	-	-	(91,273)
Public works	21,794	-	3,155	(18,639)
Community and economic development	9,625	900	-	(8,725)
Culture and recreation	<u>11,007</u>	<u>-</u>	<u>-</u>	<u>(11,007)</u>
Total governmental activities	<u>\$ 373,789</u>	<u>\$ 12,121</u>	<u>\$ 3,155</u>	<u>\$ (358,513)</u>
General revenues:				
Landfill impact fees				315,405
State grants				113,873
Investment income				<u>59,784</u>
Total general revenues				<u>489,062</u>
Change in net assets				130,549
Net assets - beginning				<u>3,242,919</u>
Net assets - ending				<u>\$ 3,373,468</u>

See notes to financial statements

Township of Convis
BALANCE SHEET - governmental funds

March 31, 2006

	<u>General</u>	<u>Emergency Services</u>	<u>Host Community</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 1,237,191	\$ 372,241	\$ 174,100	\$ 1,783,532
Investments	144,438	156,649	98,500	399,587
Receivables	54,556	-	1,818	56,374
Total assets	<u>\$ 1,436,185</u>	<u>\$ 528,890</u>	<u>\$ 274,418</u>	<u>\$ 2,239,493</u>
LIABILITIES AND FUND BALANCES				
Liabilities - payables	\$ 12,941	\$ -	\$ -	\$ 12,941
Fund balances - unreserved, undesignated	<u>1,423,244</u>	<u>528,890</u>	<u>274,418</u>	<u>2,226,552</u>
Total liabilities and fund balances	<u>\$ 1,436,185</u>	<u>\$ 528,890</u>	<u>\$ 274,418</u>	<u>\$ 2,239,493</u>
Total fund balances - total governmental funds				\$ 2,226,552
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:				
Accrued investment income and prepaid expenses are not financial resources and, therefore, are not reported in the funds.				
				46,600
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.				
				<u>1,100,316</u>
Net assets of <i>governmental activities</i>				<u>\$ 3,373,468</u>

See notes to financial statements

Township of Convis

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2006

	<u>General</u>	<u>Emergency Services</u>	<u>Host Community</u>	<u>Total governmental funds</u>
REVENUES				
Licenses and permits	300,670	-	16,267	316,937
State grants	117,028	-	-	117,028
Charges for services	5,583	-	-	5,583
Interest and rentals	42,685	6,653	10,196	59,534
Other	5,611	-	-	5,611
Total revenues	<u>471,577</u>	<u>6,653</u>	<u>26,463</u>	<u>504,693</u>
EXPENDITURES				
Legislative	2,200	-	-	2,200
General government	211,304	-	-	211,304
Public safety	91,273	-	-	91,273
Public works	21,794	-	-	21,794
Community and economic development	9,625	-	-	9,625
Recreation and culture	11,007	-	-	11,007
Capital outlay	1,400	-	-	1,400
Total expenditures	<u>348,603</u>	<u>-</u>	<u>-</u>	<u>348,603</u>
EXCESS OF REVENUES OVER EXPENDITURES	122,974	6,653	26,463	156,090
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	(100,000)	100,000	-	-
NET CHANGES IN FUND BALANCES	22,974	106,653	26,463	156,090
FUND BALANCES - BEGINNING	<u>1,400,270</u>	<u>422,237</u>	<u>247,955</u>	<u>2,070,462</u>
FUND BALANCES - ENDING	<u>\$ 1,423,244</u>	<u>\$ 528,890</u>	<u>\$ 274,418</u>	<u>\$ 2,226,552</u>

Net change in fund balances - total governmental funds \$ 156,090

Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

The current changes in accrued investment income and prepaid expenses do not provide financial resources and, therefore, are not reported in the funds. 4,400

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$31,191) exceeded capital outlays (\$1,250) in the current period. (29,941)

Change in net assets of *governmental activities* \$ 130,549

See notes to financial statements

Township of Convis

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

March 31, 2006

ASSETS

Cash	\$ <u>3,334</u>
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LIABILITIES

Due to other governmental units	\$ <u>3,334</u>
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See notes to financial statements

Township of Convis
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Convis, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Convis
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from landfill impact fees and state shared revenue.

The Emergency Services Fund accounts for the financial resources accumulated for the acquisition of fire and emergency equipment. Revenues consist primarily of interest.

The Host Community Fund accounts for the financial resources accumulated for potential costs related to a private landfill currently operated in the Township. Revenues are primarily derived from fees collected under a host community agreement, and interest.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, the Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

d) Assets, liabilities, and net assets or equity:

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

Township of Convis
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	3 - 10 years
Infrastructure	40 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. There were no significant budget variations requiring disclosure.

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments as presented in the accompanying financial statements, consist of the following:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	\$ 1,783,482	\$ 3,334	\$ 1,786,816
Investments	399,587	-	399,587
Cash on hand	<u>50</u>	<u>-</u>	<u>50</u>
Total cash and investments	<u>\$ 2,183,119</u>	<u>\$ 3,334</u>	<u>\$ 2,186,453</u>

Township of Convis
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks and credit unions. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2006, \$439,485 of the Township's bank balances of \$1,854,258 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

State statutes and the Township's investment policy authorize the Township to invest in obligations of the U.S. Treasury, agencies, and instrumentalities and investment pools composed of otherwise legal investments.

Investments:

At March 31, 2006, the Township's investments were as follows:

U.S government mortgage-backed securities	\$ 270,503
Mutual funds	<u>129,084</u>
Total investments	<u>\$ 399,587</u>

The Township's investments in government securities are carried at market value and are registered and held in the Township's name by a financial institution. Mutual funds are carried at cost, which approximates market.

Township of Convis
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 35,611	\$ 18,945	\$ 54,556
Host Community	<u>1,818</u>	<u>-</u>	<u>1,818</u>
Total	<u>\$ 37,429</u>	<u>\$ 18,945</u>	<u>\$ 56,374</u>

All receivables are considered fully collectible, and are due within one year.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,000</u>
Capital assets being depreciated:				
Buildings and improvements	1,173,310	-	-	1,173,310
Equipment and furnishings	<u>12,824</u>	<u>1,250</u>	<u>-</u>	<u>14,074</u>
Subtotal	<u>1,186,134</u>	<u>1,250</u>	<u>-</u>	<u>1,187,384</u>
Less accumulated depreciation for:				
Buildings and improvements	175,997	29,333	-	205,330
Equipment and furnishings	<u>4,880</u>	<u>1,858</u>	<u>-</u>	<u>6,738</u>
Subtotal	<u>180,877</u>	<u>31,191</u>	<u>-</u>	<u>212,068</u>
Total capital assets being depreciated, net	<u>1,005,257</u>	<u>(29,941)</u>	<u>-</u>	<u>975,316</u>
Governmental activities capital assets, net	<u>\$ 1,130,257</u>	<u>\$ (29,941)</u>	<u>\$ -</u>	<u>\$ 1,100,316</u>

Depreciation expense was charged to the general government function of the Township.

Township of Convis
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES:

General Fund payables were comprised of the following at March 31, 2006

Accounts	\$ 1,941
Intergovernmental	<u>11,000</u>
Totals	<u>\$ 12,941</u>

NOTE 7 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - JOINT VENTURES:

The Township, together with the Townships of Assyria and Bellevue, and the Village of Bellevue, has established the Bellevue Community Fire Control Board. The member units have equal representation on the Fire Control Board, and all provide annual subsidies to the Board. Convis Township contributed \$20,000 to the Fire Control Board for the fiscal year ended March 31, 2006.

The Township has also jointed nine other units of government in Calhoun County in establishing the Marshall Area Fire Fighters Ambulance Authority. The member units have equal representation on the Authority Board, and provide annual subsidies to the Board. The Township contributed \$5,850 to the Ambulance Authority for the fiscal year ended March 31, 2006.

The Township has joined several other units of government in Calhoun, St. Joseph and Kalamazoo Counties in an inter-local agreement under the Michigan Urban Cooperation Act of 1967 to establish South Central Michigan Construction Code Inspection, Inc. for purposes of providing for the joint enforcement and administration of construction codes and other governmental ordinances. The Township is represented on the board of the Corporation. No contributions were made by the Township to the Corporation during the year ended March 31, 2006.

The Township does not expect to receive residual equity from the above joint ventures.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Convis**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Licenses and permits	\$ 350,600	\$ 350,600	300,670	\$ (49,930)
State grants	81,500	81,500	117,028	35,528
Charges for services	4,800	4,800	5,583	783
Interest and rentals	12,500	12,500	42,685	30,185
Other	2,900	2,900	5,611	2,711
Total revenues	<u>452,300</u>	<u>452,300</u>	<u>471,577</u>	<u>19,277</u>
EXPENDITURES				
Legislative	<u>4,000</u>	<u>4,000</u>	<u>2,200</u>	<u>1,800</u>
General government:				
Supervisor	18,000	18,000	16,085	1,915
Elections	29,300	29,300	2,472	26,828
Assessor	15,000	15,000	12,411	2,589
Clerk	32,000	32,000	25,590	6,410
Treasurer	29,000	29,000	26,290	2,710
Hall and grounds	106,800	110,800	61,080	49,720
Cemetery	16,900	16,900	11,401	5,499
Insurance	27,500	27,500	22,627	4,873
Legal and audit	44,500	44,500	5,576	38,924
Payroll taxes	10,000	10,000	4,122	5,878
Printing and publishing	15,000	15,000	2,870	12,130
Education and training	12,000	12,000	5,130	6,870
Other	33,750	33,750	15,650	18,100
Total general government	<u>389,750</u>	<u>393,750</u>	<u>211,304</u>	<u>182,446</u>
Public safety:				
Police protection	70,000	70,000	65,423	4,577
Fire control	92,000	92,000	20,000	72,000
EMS equipment	7,000	7,000	-	7,000
Ambulance service	10,000	10,000	5,850	4,150
Total public safety	<u>179,000</u>	<u>179,000</u>	<u>91,273</u>	<u>87,727</u>

Township of Convis

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Public works:				
Pollution control	\$ 8,500	\$ 8,500	\$ 1,290	\$ 7,210
Drains	7,500	7,500	1,190	6,310
Road maintenance	150,000	150,000	19,314	130,686
Total public works	166,000	166,000	21,794	144,206
Community and economic development - planning commission	26,000	26,000	9,625	16,375
Recreation and culture - library	13,750	13,750	11,007	2,743
Capital outlay	503,000	499,000	1,400	497,600
Total expenditures	1,281,500	1,281,500	348,603	932,897
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(829,200)	(829,200)	122,974	952,174
OTHER FINANCING USES				
Transfer to Emergency Services Fund	(100,000)	(100,000)	(100,000)	-
NET CHANGES IN FUND BALANCES	(929,200)	(929,200)	22,974	952,174
FUND BALANCES - BEGINNING	1,400,270	1,400,270	1,400,270	-
FUND BALANCES - ENDING	<u>\$ 471,070</u>	<u>\$ 471,070</u>	<u>\$ 1,423,244</u>	<u>\$ 952,174</u>

Township of Convis**BUDGETARY COMPARISON SCHEDULE - Emergency Services Fund**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ -	\$ -	\$ 6,653	\$ 6,653
OTHER FINANCING SOURCES				
Transfer from General Fund	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	100,000	100,000	106,653	6,653
FUND BALANCES - BEGINNING	<u>422,237</u>	<u>422,237</u>	<u>422,237</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 522,237</u>	<u>\$ 522,237</u>	<u>\$ 528,890</u>	<u>\$ 6,653</u>

Township of Convis**BUDGETARY COMPARISON SCHEDULE - Host Community Fund**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Permits	\$ 20,000	\$ 20,000	\$ 16,267	\$ (3,733)
Interest	<u>10,000</u>	<u>10,000</u>	<u>10,196</u>	<u>196</u>
Total revenues	30,000	30,000	26,463	(3,537)
FUND BALANCES - BEGINNING	<u>247,955</u>	<u>247,955</u>	<u>247,955</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 277,955</u>	<u>\$ 277,955</u>	<u>\$ 274,418</u>	<u>\$ (3,537)</u>